



INDIA NEWS

NO. 2

February 2010

Highlights of the Union Budget for the year 2010-11

Following are the highlights of the Union Budget presented by the Finance Minister Mr. Pranab Mukherjee in the Lok Sabha (Lower House the Parliament) :

- Clean energy cess of Rs.50 per tonne on coal produced in India
- Concessional duty of 4 percent for solar power rickshaw developed by Council of Scientific and Industrial Research
- Concessional customs duty of 5 percent for cable TV operators for importing equipment
- Toys fully exempt from central excise duty
- Service sector tax retained at 10 percent to aid the introduction of GST; more services to be taxed
- Accredited news agencies exempt from service tax
- Net revenue gain Rs.22,500 crore
- Taxes on large cars and SUVs increased 2 percent to 22 percent
- Basic duty of 5 percent on crude oil restored
- Tax on cigarettes, cigars and chewing tobacco increased
- Rs. 26,000 crore revenue loss due to reduction of direct taxes
- Partial roll back of reduction in central excise duty
- Income up to Rs.1.6 lakh per year exempt from income tax; up to Rs.5 lakh to be taxed at 10 percent; income of Rs.5-8 lakh to be taxed at 20 percent and income above Rs.8 lakh to be taxed at 30 percent
- IT returns forms for individual tax payers to be further simplified
- Expenditure in 2010-11 estimated at 11,18,749 crore
- Fiscal deficit estimated at 5.5 percent in 2010-11; an improvement of 1 percent over 2009-10
- Two more centralised tax processing centres to be set up in addition to the one at Bangalore
- National Social Security Fund created for workers in unorganised sector with allocation of Rs.1,000 crore
- Government to give Rs.1,000 for each National Pension Scheme account opened by workers in the unorganised sector
- Exclusive skill development programme for the textile sector
- Fifty percent hike in allocation for schemes for women and child development
- Rs.4,500 crore allocated for ministry of social justice and empowerment, a hike of 80 percent
- Rs.2,600 crore allocated for Ministry of Minorities Affairs
- Rs.1,900 crore for Unique Identification Authority of India
- Rs.147,344 crore allocated for defence
- 2,000 youth to be recruited in central paramilitary forces
- Draft Food Security Bill prepared and will be put in the public domain
- Allocation on primary education raised from Rs.26,800 crore to Rs.31,300 crore
- Banking facilities to be provided to all habitations with a population of 2,000 and more

- Rs.66,100 crore allocated for rural development in 2010-11; Rs.40,100 crore for National Rural Employment Scheme; RS.48,000 crore for Bharat Nirman
 - Rs.1,270 crore allocated for Rajiv Awas Yojana for slum dwellers, up from Rs.150 crore, an increase of 700 percent with the aim of creating a slum free India.
 - Forty-six percent of plan allocations in 2010-11 will be for infrastructure development
 - Coal Regulatory Authority to be set up to benchmark standards of performance
 - Allocation for new and renewable energy sector increased 61 percent from Rs.620 crore to Rs.1,000 crore in 2010-11
 - National Clean Energy Fund to be established
 - Rs.200 crore allocated as special package for Goa to prevent erosion and increase green cover
 - Government committed to growth of SEZs
 - Four-pronged strategy for growth of agricultural sector
 - Rs.200 crore to be provided in 2010-11 for climate-resilient agricultural initiative
 - Involvement of private sector in grain storage to continue for another two years
 - In view of drought and floods, debt repayment period extended to June 2010
 - Five more mega food processing projects in addition to 10 existing ones
 - FDI flows in April-December 2009 \$20.9 billion
 - FDI policy to be made more user-friendly with one comprehensive document
 - Apex level financial stability council to be set up for banking sector
 - Indian Banking Association to give additional licences to private players
 - Provision for further capital for regional rural banks
 - Roadmap for reducing public debt in six months
 - Implementation of direct tax code from April 2011
 - Government actively engaged in finalising structure of general sales tax regime; hopes to implement it from April 2011
 - New fertiliser policy from April 2010; will lead to improved productivity and more income for farmers
 - Economy stabilised in first quarter of 2009-10; strong rebound in second quarter; overall growth at 7.2 and could be higher when Q3 and Q4 are taken into account
 - Export figures for January encouraging
 - Hope to breach 10 percent growth mark in not too distant future
 - Government set in motion steps to bring down food inflation
 - Need to review stimulus package; need to make growth more broad-based
 - India has weathered global economic crisis well; Indian economy in far better position than it was a year ago. In 2009 Indian economy faced grave uncertainty; delay in south-west monsoon had undermined agricultural production
 - First challenge now is to quickly revert to 9 percent growth and then aim for double digit growth; need to make recovery more broad-based
 - Second challenge is to make growth more inclusive; have to strengthen food security
 - Third challenge is to overcome weakness in government's public delivery mechanism; a long way to go in this.
- (To view the full details of the Union Budget, please visit: <http://indiabudget.nic.in/>)

India can become 3rd largest economy by 2012: PwC

According to a report by global consultancy firm PricewaterhouseCoopers (PwC), India could become the world's third largest economy by purchasing power parity (PPP), overtaking Japan in 2012. This would be almost 20 years ahead of Goldman Sachs' projection of 2032 in its BRIC (Brazil, Russia, India, China) report. India is also expected to grow faster than China after 2020. China, which was projected to become the world's largest economy by 2041, now looks set to achieve the distinction sometime around 2020, the PwC report said.

Core sector output for December up 6%

India's core sector, which comprises six key infrastructure industries, grew 6 per cent in December, compared with 5.3 per cent growth in the previous month. The growth, signifying a recovery in industrial manufacturing, was primarily led by an increase in the production of finished steel, cement and electricity last month. As per the official data released by the Ministry of Commerce and Industry, the sector, which accounts for 26.7 per cent of the Index of Industrial Production (IIP), grew 4.8 per cent in April-December period in the current financial year, against 3.2 per cent in the corresponding period of 2008-09. The data are on expected lines. While coal and cement rose by 8.3 per cent and 11 per cent, respectively, electricity and finished steel also posted moderate growth of 6 per cent and 3.6 per cent, respectively, in the nine-month period.

Gems and jewellery exports jump 55% to \$2.1 bn in Nov

Exports of gems and jewellery from India increased 55% to \$ 2.142 billion in November 2009 compared to \$1.383 billion exactly a year ago with good orders pouring in from the UAE, Hong Kong and the US. The smart November growth was triggered certainly by Christmas buying, which started building up since October, when exports of such items was \$ 2.114 billion. Mr. Pankaj Parekh, Chairman of the Gem & Jewellery Export Promotion Council (GJEPC) - eastern region said that since Hong Kong and the UAE we the re two important hubs for third country exports, the spurt in India exports in November indi-

cated a slow economic turnaround in some countries of West Asia and south-east Asia. According to GJEPC, the exports in October and November were in fact higher because exports from SEZs in Chennai and Vizag would also get included. The sudden jump in November exports had helped gems and jewellery exporters to make good the loss from decline in exports in the previous months. In aggregate term, it had helped India to restrict the total slippage in exports to just 1.02% on a cumulative basis till the month of November.

Now on, FDI policy to be updated every six months

The Government promised to bring out an updated foreign direct Investment (FDI) policy every six months as it unveiled a comprehensive press note consolidating the entire regime for foreign investments in one place for easy reference. Commerce and Industry Minister, Mr. Anand Sharma released the first draft of the consolidated policy FDI policy. Mr. Sharma also released the latest FDI numbers, which show a 60% increase in November, 2009 to US \$1.74 billion. The draft consolidated document released would be open for comments until January 31, 2010 and a final document will be released by April 1st 2010. This comprehensive press note will have a sunset clause of six months and will automatically lapse on 30th September, 2010. A new press would be issued every six months, incorporating and reflecting all the changes in the regulations during intervening period of six months. The consolidation would ensure the availability of all information on FDI policy at one place, and is expected to lead to: simplification of the policy; greater clarity of understanding of foreign investment rules among foreign investors and sectoral regulators, as also predictability of policy, Mr Sharma said. The Government has, however, clarified that the new draft framework is just a consolidation of previous FDI policy regulations and reflects the current regulatory framework. DIPP has not made changes in the extant regulations. The Government would continue to make changes to the policy through press notes whenever required. However, at the time of the six-monthly revision such changes would be incorporated in the compendium.

US\$ 15.33 billion poured by foreign fund houses in domestic equities in 2007. On account of low interest rate regime in the US and Europe, many overseas investors injected money into the Indian equity. According to market analysts, FII inflows in India would continue this year as well; given the liquidity conditions remain strong. FIIs would continue to be positive on our markets and in general Indian markets will fare well in 2010

Nine FDI proposals get nod

Nine proposals for bringing in a total foreign investment of US\$ 112.25 million have been cleared by the government. Among the approved proposals is a proposal by Japan's Mitsui and Company to bring in US\$ 69.83 million towards the establishment of a fully-owned subsidiary in the warehousing sector and the setting up of a joint venture entity in the container freight stations segment.

M&A volume at highest Year To Date level since 2000

Merger and acquisition (M&A) volumes have touched US\$ 74.5 billion till January 13, 2010 - the next highest Year to Date (YTD) level in ten years. Dealogic, a deal tracking firm said that so far in 2010, 610 deals worth US\$ 74.5 billion have been announced. This is the next highest Year To Date (YTD) level since 2000." The year 2000 saw over 1,000 M&A deals standing at an aggregate of US\$ 171.5 billion. The 2010 YTD figure is 79 per cent higher than the US\$ 41.7 billion figure for 2009. The largest deal so far this year is the US\$ 28.1 billion acquisition of eye-care company Alcon, by Novartis. The company had agreed to increase its stake in Alcon to 77 per cent, for US\$ 28.1 billion. Dealogic said the deal had been advised by Citi, Goldman Sachs Credit Suisse. The healthcare sector has been witnessing maximum deal flow and has accounted for 54 per cent of volumes so far in 2010. In terms of deal flows, Dealogic said the healthcare was followed by the food and beverage, oil and gas, finance and mining sectors.

Holcim to invest US \$1 bn in 3 new plants

Swiss cement company Holcim plans to invest US \$1 billion in setting up 2-3 greenfield manufacturing plants in the country in the next five years to serve the rising domestic

demand, a senior company executive said. The expansion would take India's second largest cement company's total cement-making capacity to 60 million tonne per annum from 50 million tonne currently. Elaborating on the expansion plans, Mr Hugentobler said that the new plants will come up in the limestone-rich states of the country. He, however, did not specify the exact locations. Limestone is available in abundance in states such as Gujarat, Rajasthan, Punjab and Kerala. The company also ruled out acquisitions in India and said capacity additions would be done only through the organic route. Holcim is present in the country through ACC and Ambuja Cements and holds around 46% stake in each company.

Component-maker Bosch bullish on India, to invest Rs 2,000 cr in 3 yrs

The world's largest automotive component manufacturer, Bosch, plans to invest Rs 2,000 crore (US \$ 434.79 million) in India over the next three years. Of this amount, the company will spend around Rs 500 crore (US \$ 108.69 million) towards increasing its research and development facilities in the country. Mr. Bernd Bohr, Chairman of the Stuttgart-based Bosch Automotive Group said that India would be an important market for the company in the immediate future as growth focus had shifted to the Asia-Pacific after the financial crisis. He highlighted that demand in developed markets like the US and Europe had still not picked up, and it would be some time before demand touches pre-2007 levels in the developed markets. Bosch Group mopped up Rs 6,600 crore (1 billion Euros) of its total revenues (about 3 per cent) from India. Mr. Bohr said that they expected India to contribute 5 per cent of their total revenue over the next three years. The total revenue of the company from all its operations was 38 billion Euros (Rs 2,50,000 crore) in the calendar year 2009. Bosch is also ready with components of the Tata Nano's diesel engine. The company has also introduced a 'common rail' diesel fuel injection system for medium and heavy commercial vehicles in India.

EMC's India investments to reach US \$2 billion by 2014

Information management and storage company EMC Corporation's total investments in India will touch US \$2 billion (over Rs 9,300

the next five years as India is the fastest growing market for the company in the Asia-Pacific (APAC) region and Japan. APAC and Japan together contribute around 13 per cent to EMC's total revenues. The corporation began its India operations in October, 2000. The incremental investments will also go into increasing the headcount in India, which currently stands at slightly more than 2,100.

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